



MIAMI BEACH

OFFICE OF THE CITY MANAGER

LTC # 108-2006

LETTER TO COMMISSION

TO: Mayor David Dermer and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: April 13, 2006

SUBJECT: Sun-Sentinel Article Regarding Cost of Living Increases in South Florida

Given our discussion at the April 11 closed Executive Session regarding cost of living increases in South Florida, I am attaching an electronic copy of a newspaper article regarding this issue which appeared in the South Florida Sun-Sentinel on April 12, 2006.

If you have any questions or need any additional information, please feel free to contact me.

JMG:ri

Attachment

F:/cmgr/All/LTC06/Sun-Sentinel Article Regarding Cost of Living Adjustment

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Sun-Sentinel.com

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S. Floridians face cash crunch as everything goes up -- except for salaries

By Harriet Johnson Brackey
South Florida Sun-Sentinel

April 12, 2006

Dianne King recently moved to an apartment closer to her workplace because of the high price of gasoline. Those twice-weekly fill-ups were eating into her budget as she drove from her father's home in Boynton Beach to her job at a laboratory in Lauderhill.

But King says she is still concerned about gas prices this summer. She knows what a spike in costs will mean to her lifestyle. "You have to give and take somehow," she said of her personal budget. "I mean, if you want more entertainment, you sometimes just have to watch what's on TV."

Gasoline prices will be about 25 cents a gallon higher this summer than last summer, according to the U.S. Energy Department price outlook that was released Tuesday.

Gregory Miller, SunTrust Banks' chief economist, predicts \$3 a gallon gasoline will arrive this summer. Yet gasoline prices are just the latest direct hit to the wallet for South Floridians.

This is turning into the year of the personal budget crunch. Homeowners insurance has spiked. South Florida's electricity bills jumped 19 percent on average in January. Property taxes went up. And plenty of people are still paying for repairs for hurricane damage from last year.

All this comes on top of the biggest jump in consumer prices in South Florida in a quarter-century. Early this year, the cost of clothes, housing and medical care in South Florida zoomed ahead of price increases for the rest of the nation.

Just ask Jeremy and Martha Pearson, who live in a three-bedroom, two-bath home in Miramar, about the cost of insurance.

Their homeowner's insurance bill, excluding federal flood insurance, from Poe Financial was \$1,267 in 2003. It was \$1,638 in 2004. It was \$1,784 in 2005.

That's a 40.8 percent increase in three years.

This year, it's likely to go up about 8 percent more, based on a rate increase that the state has approved. That would mean a \$1,926 annual bill before any surcharges that the state might impose to cover the cost of last year's storms.

How do you manage your personal finances in a situation like this? "You can't," Jeremy Pearson said.

The Pearsons' story is being repeated over and over. Consider the 77 percent average jump in rates that insurer Florida Peninsula is proposing for its customers. One is Dyan Quesada, who owns a two-bedroom condo in Fort Lauderdale. "It was a good rate to start with," she said. "But I guess that's the end of that."

Interestingly, this budget crunch has developed on a consumer level, even though the national, state and local economy are generally humming along. Nationwide, economists say gross domestic product has rebounded from its slump at the end of last year. Corporate profits, up 21.3 percent in the past year, have certainly been strong. In Florida, jobs are plentiful, too.

But the weakest part of the big picture is salaries.

Wages nationwide aren't keeping pace with inflation. The Economic Policy Institute says weekly wages have been flat or declining for 20 of the past 23 months when adjusted for inflation.

Inflation nationwide, which is running at a 3.6 annual rate through February, is higher than the average annual increase of 2.7 percent since the year 2000.

But that's a minor discrepancy compared to the increasing consumer prices in South Florida.

In the 12 months ended February, the South Florida metropolitan area experienced the largest jump in consumer prices in 25 years, according to the federal Bureau of Labor Statistics.

The South Florida Consumer Price Index is growing at a 6.1 percent annual rate, practically double the national rate.

One big reason is the cost of electricity. Florida Power & Light Co. levied an average 19 percent surcharge on the average homeowner's bill starting in January to cover its own rising costs of fuel used to run its plants.

However, the Bureau of Labor Statistics noted a bigger jump than that. It said there was a 22.5 percent rise in the cost of electricity in South Florida in the first two months of this year.

The price increases are across the board. In South Florida, housing rose 8.5 percent over the last 12 months ending in February, more than twice the nationwide 4 percent increase. Apparel costs rose 5.3 percent in South Florida, but clothing costs fell 1.8 percent nationwide.

Move on to the bigger bills in the basic homeowners' budget and you're bumping up against property taxes.

Chuck Murawski of Fort Lauderdale is a retiree who owns a rental property. The property taxes on his rental building used to be \$2,800 annually. Now they are about \$5,000. "It's a little duplex, and I use the rental income. But with my cash flow now, what do I do with my tenants? I can't just keep raising the rents more and more," he said. "They have to live, too."

Others are bracing for more fallout from last year's hurricane season. Adam Cohen, a South Broward High School teacher whose subject is American Government, is already facing a maintenance fee of \$3,700 from his Oakland Park condo association for concrete repairs. That's on top of a \$3,400 assessment the year before to fix an elevator system. He's still waiting for the bill to complete repairs from Hurricane Wilma last year.

Cohen says he can't see where the \$3,700 is coming from or how to find money for the additional assessment he's expecting for Wilma repairs.

Miller, the economist, says there are growing signs that consumers simply can't take much more. Savings rates have fallen below zero. And he notes a slowdown in the volume of home equity loans that consumers are taking out.

"All this suggests we're getting near the point when people will be tapped out," he said. "Then they'll have no choice but to pull back on their spending."

Business Writer Kathy Bushouse contributed to this report, which also used information from Bloomberg News.

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